

Payment on Account for Corporation Tax Instalment Payments

Introduction

A system of quarterly accounting for corporation tax applies for 'large companies'. 'Large' companies are those with profits (including UK dividend income, other than intra-group dividends, plus tax credits) exceeding £1.5 million in an accounting period, divided by one plus the number of 'related 51% group companies'.

The £1.5 million threshold is proportionately reduced for periods of less than 12 months.

Instalments

Unless the company is 'very large' (Profits more than £10 million), the amounts in respect of a large company's total corporation tax liability for an accounting period become due and payable in up to four instalments as follows:

- 1. The first instalment is due six months and thirteen days from the start of the accounting period, and the last instalment is due three months and fourteen days from the end of the accounting period, except that if the latter date precedes the former.*
- 2. Further instalments are generally due every three months*

Example:

31st December 2021 year-end, twelve-month period:

First Payment due 14th July 2021 (1/4)

Second Payment due 14th October 2021 (1/4)

Third Payment due 14th January 2022 (1/4)

Final Payment due (including balancing adjustment) due 14th April 2022 (1/4)

Revising the Corporation Tax Estimate

Where the company's estimate of the amount of its total corporation tax liability for the period is revised, subsequent instalment payments are recalculated accordingly, and top-up payments may be made at any time. The due and payable amount of each instalment for the purposes of interest on over- or under-payments is that based on the total corporation tax liability as returned by the company.

Penalties

Where interest is charged on unpaid instalments as above, and the company, or a person acting on its behalf, either:

- i. deliberately or recklessly failed to make an instalment payment; or*
- ii. fraudulently or negligently made a claim for repayment of an excess amount of instalment payments*

The company is liable to a penalty of up to twice the amount of the interest. HMRC will seek a penalty under these provisions only in the most serious cases involving flagrant abuse of the regulations.

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